



STATE BOARD OF EQUALIZATION

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Executive Secretary
No. 78/43

March 15, 1978

TO COUNTY ASSESSORS:

ASSESSMENT OF FOREIGN-OWNED AND -BASED AIRLINES

Since 1961 case law (Scandinavian Airlines Systems, Inc. v. County of Los Angeles, 56 Cal. 2d 11) has mandated that foreign-owned and -based airlines engaged exclusively in international commerce cannot be taxed because of the Home-Port Doctrine. This Doctrine states that such carriers can be taxed only at their home domicile. Property Tax Rule 202 has always reflected the holding of this case.

In the opinion of our legal staff two recent cases have overturned this doctrine (Sea-Land Service v. County of Alameda, 12 Cal. 3d 772 (1974) and Japan Line, Ltd. v. County of Los Angeles, 23 Cal. 3d 180 (1977)) by holding that the Home-Port Doctrine does not shield property with situs in California from taxation on an apportioned basis.

Because our property tax rules are merely declarative of existing law, we propose to amend Rule 202 to conform to these court decisions. However, the Board's calendar does not permit the required public hearing prior to June 29, 1978. We are, therefore, advising you of the law as it exists on March 1, 1978, and of our plans to amend the rule so you can act to enroll those aircraft you deem to be taxable.

The sole remaining problem in taxing this property is one of situs. Because of the potential for litigation concerning this issue, we suggest you work with your county counsel's office on questions concerning the situs of foreign-owned aircraft.

Sincerely,

Jack F. Eisenlauer, Chief
Assessment Standards Division

JFE:fp